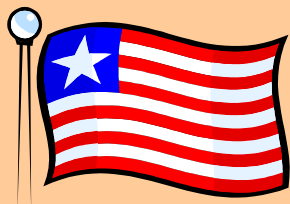


May 2001



North Dakota

REV-E-NEWS

**From Rod Backman, Director
Office of Management and Budget
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

April was a great month for tax collections. Even though sales tax collections fell below projections, revenue collections in April exceeded the monthly projection by \$10 million. Most of this can be attributed to strong individual income tax collections. If May and June revenue collections come in as projected, the 1999-01 ending balance could reach or exceed \$62 million, compared to the estimate of \$52.6 million at the end of the legislative session.

Economy.com, Inc. notes the recession indicators are signaling that the national economy remains out of recession, but barely so. They believe in order to avoid a recession, the Federal Reserve Board must remain ag-

gressive in easing monetary policy and the recently enacted tax cut was needed. Economy.com believes the probability of a recession is now 50 percent.

North Dakota's unemployment rate for March was 2.9 percent. This is the lowest March rate since statistics were first compiled in 1958. The national unemployment rate for March was 4.3 percent.

A special thank you to all the Senators and Representatives on their fine work in the 2001 Legislative Session. I speak for the entire staff at OMB when I say it was a pleasure working with you throughout the session.

Oil Activity

North Dakota currently has 17 oil rigs operating in North Dakota compared with 11 one year ago. March oil production averaged 88,125



barrels per day, down slightly from February. The Oil and Gas Division of the Industrial Commission had expected more of an increase in production now that the production restrictions have been lifted in Cedar Hills, however, much of the drilling capital and rigs have been focused on natural gas drilling in

other states.

The current price of oil continues to be in the range of \$23 per barrel.

Comments or Questions???

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Revenue Variances

Again, this month we are including schedules in this newsletter showing the revenues compared to the 2001 revenue forecast as well as the original 1999 legislative revenue forecast. The comments below relate only to the 2001 revenue forecast.

Sales tax collections in April fell below the 2001 revenue forecast by \$1.9 million or 9.3 percent. At least part of this shortfall is attributed to timing. The Tax Department was inundated with individual income tax returns and because of that, was unable to process sales tax returns the last day of the month. As a result biennium-to-date collections are \$4.2 million or 0.8 percent behind projections.

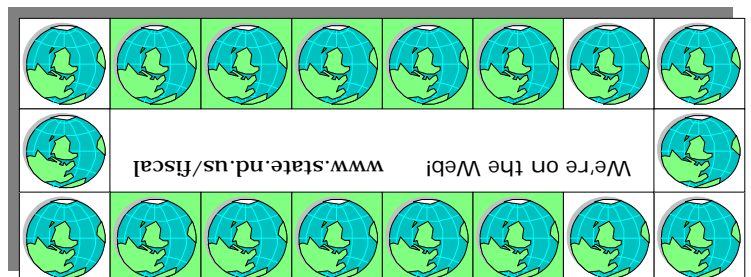
Motor vehicle excise tax collections of \$4 million are once again estimates due to the transition to a new processing system. The Department of Transportation should be current with their processing by the end of May. Based on estimates, biennium-to-date collections are \$638,152 million or 0.6 percent ahead of the 2001 forecast.

Individual income tax collections were \$11.3 million or 25.7 percent ahead of projections. Biennium-to-date collections are \$10.7 million or 2.9 percent ahead of the 2001 revenue forecast.

Corporate income tax collections fell below projections by \$285,026 or 2.2 percent. Biennium-to-date collections are \$532,412 ahead of projections.

Actual collections for oil and gas production tax and oil extraction tax amounted to \$2.7 million in April. This report reflects no collections because total oil tax collections have exceeded \$62 million for the biennium. The \$2.7 million has been reserved for transfer to the Permanent Oil Tax Trust Fund. A total of \$5.3 million has been reserved so far for transfer into the trust fund.

Mineral leasing fee collections exceeded projections by \$1.3 million primarily as a result of a large audit collection that dates back to the early 1980's. Biennium-to-date collections are \$1.6 million or 21.4 percent ahead of projections.



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